Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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ACTION NEA-07

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C O N F I D E N T I A L KABUL 5739

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DEPARTMENT PASS AID

E.O. 11652: GDS
TAGS: AF, US, EAID
SUBJ: CONVERSATION WITH PRESIDENT DAOUD: ECONOMIC ASSISTANCE

1. THE MAJOR PART OF MY AUGUST 17 CONVERSATION WITH PRESIDENT DAOUD CONCERNED U.S.-AFGHAN ECONOMIC COOPERATION. I TOLD HIM OUR AID POLICY CONTINUES TO STRESS AID TO THE POOR, WHICH MEANS LARGELY THE RURAL POOR. I ADDED THAT THE CARTER ADMINISTRATION IN THE COURSE OF ITS REVIEW OF NORTH-SOUTH RELATIONS HAS DECIDED TO TRY TO GIVE MORE ASSISTANCE TO THE POOREST COUNTRIES AND THAT IF CONGRESS AGREES AND PROJECTS CAN BE WORKED OUT, AFGHANISTAN IN THE FUTURE COULD RECEIVE MORE ASSISTANCE.

2. REGARDING OUR AID PROGRAM IN AFGHANISTAN, I SAID ITS PACE IS NOT AS FAST AS EITHER OF US MIGHT PREFER. I MENTIONED BOTTLENECKS ON THE AFGHAN SIDE SUCH AS PROCUREMENT AND CONSTRUCTION PROCEDURES, AND ALSO BUREAUCRATIC OBSTACLES ON OUR SIDE. I SAID WE ARE TRYING TO STREAMLINE OUR PROCEDURES AND TOOK THE OPPORTUNITY ALSO TO TELL DAOUD ABOUT THE PLANNED REORGANIZATION OF OUR AID MISSION IN AFGHANISTAN. I STRESSED THAT THE REORGANIZATION IS AIMED AT REDUCING ADMINISTRATIVE COSTS AND
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WOULD NOT AFFECT ASSISTANCE LEVELS. ON THE CONTRARY, I HOPED THE REORGANIZATION WOULD MAKE THE MISSION MORE EFFICIENT IN TERMS OF CARRYING OUT ASSISTANCE PROJECTS AND PROGRAMS. I MENTIONED FINALLY THAT THERE WOULD BE SOME SUBSTANTIAL PERSONNEL REDUCTIONS, THE EFFECT OF WHICH WE WOULD BE TRYING TO MITIGATE BY PROVIDING BONUSES TO RELEASED EMPLOYEES, BY SEEKING OTHER EMPLOYMENT FOR THEM, AND BY UPGRADING SOME OF THE AFGHAN EMPLOYEES WHOM WE

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WILL RETAIN.

3. REGARDING SPECIFIC PROJECTS, I TOLD DAOUD THAT WE HOPED TO SIGN AGREEMENTS FOR A NUMBER OF PROJECTS DURING THE NEXT SIX WEEKS, INCLUDING MOST SIGNIFICANTLY THE SECOND PHASE OF THE HELMAND PROJECT AND THE $5 MILLION AGRICULTURAL CREDIT PROGRAM.

4. I ALSO TOLD HIM WE HOPED TO CONCLUDE A PL-480 TITLE I WHEAT AGREEMENT IN EARLY OCTOBER AND THAT THE GOVT OF PAKISTAN HAS CONCURRED IN OUR USING OUR HOLDINGS OF PAK RUPEES TO PAY FOR THE TRANSIT COSTS FOR THE WHEAT ACROSS PAKISTAN.

5. IN REPLY, DAOUD SAID HE HAD ONLY ONE GENERAL COMMENT TO MAKE. HE SAID HE COMPLETELY AGREES WITH OUR ASSISTANCE POLICY, THAT IS TO HELP THE POOREST AND THE NEEDIEST. HE SAID, HOWEVER, HE DOES NOT ALWAYS AGREE WITH THE MEANS WE CHOOSE TO DO THIS. HE BELIEVES ASSISTANCE TO LARGE INDUSTRIAL PROJECTS ALSO HELPS THE POOR BECAUSE IT GIVES THEM JOBS, RAISED THEIR INCOME LEVEL AND PERMITS THEM TO ENGAGE IN MORE PRODUCTIVE AGRICULTURAL ACTIVITY. MOREOVER, HE SAID IF WE WERE TO CONCENTRATE ON ONE OR MORE LARGE PROJECTS, SOME OF THE ADMINISTRATIVE PROBLEMS ON THE AFGHAN SIDE (WHICH HE AGREED EXIST) WOULD NOT EXIST TO THE SAME DEGREE AS THEY DO WHEN WE ATTEMPT TO CARRY OUT SMALL PROJECTS THROUGHOUT THE COUNTRY. DAOUD REFERRED SPECIFICALLY TO THE HELMAND VALLEY AS AN EXAMPLE OF A LARGE COOPERATIVE AFGHAN-AMERICAN PROJECT WHICH HAS BEEN A SUCCESS. AT THE END OF HIS CONFIDENTIAL

COMMENTS, HE REPEATED HIS GRATITUDE FOR AMERICAN ASSISTANCE AND HIS AGREEMENT WITH OUR GOALS, AND SAID HE WAS MERELY QUESTIONING THE METHODS WE USE.

6. IN CONCLUDING THIS PART OF OUR CONVERSATION, I COMMENTED THAT OUR AID PROGRAM HAS TO FOLLOW BASIC POLICY ENUNCIATION BY THE CONGRESS IN LEGISLATION. BUT, I ADDED, IT IS CERTAINLY NOT OUR INTENTION NOT TO CONTRIBUTE TO LARGE PROJECTS. I SAID WE HOPED WE COULD CONTRIBUTE TO SUCH PROJECTS THROUGH THE INTERNATIONAL FINANCIAL INSTITUTIONS AND BY COOPERATIVE AFGHAN-AMERICAN PRIVATE INVESTMENT.
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